

What Will it Take to Grow the Green Power Market? Policies Matter!!!

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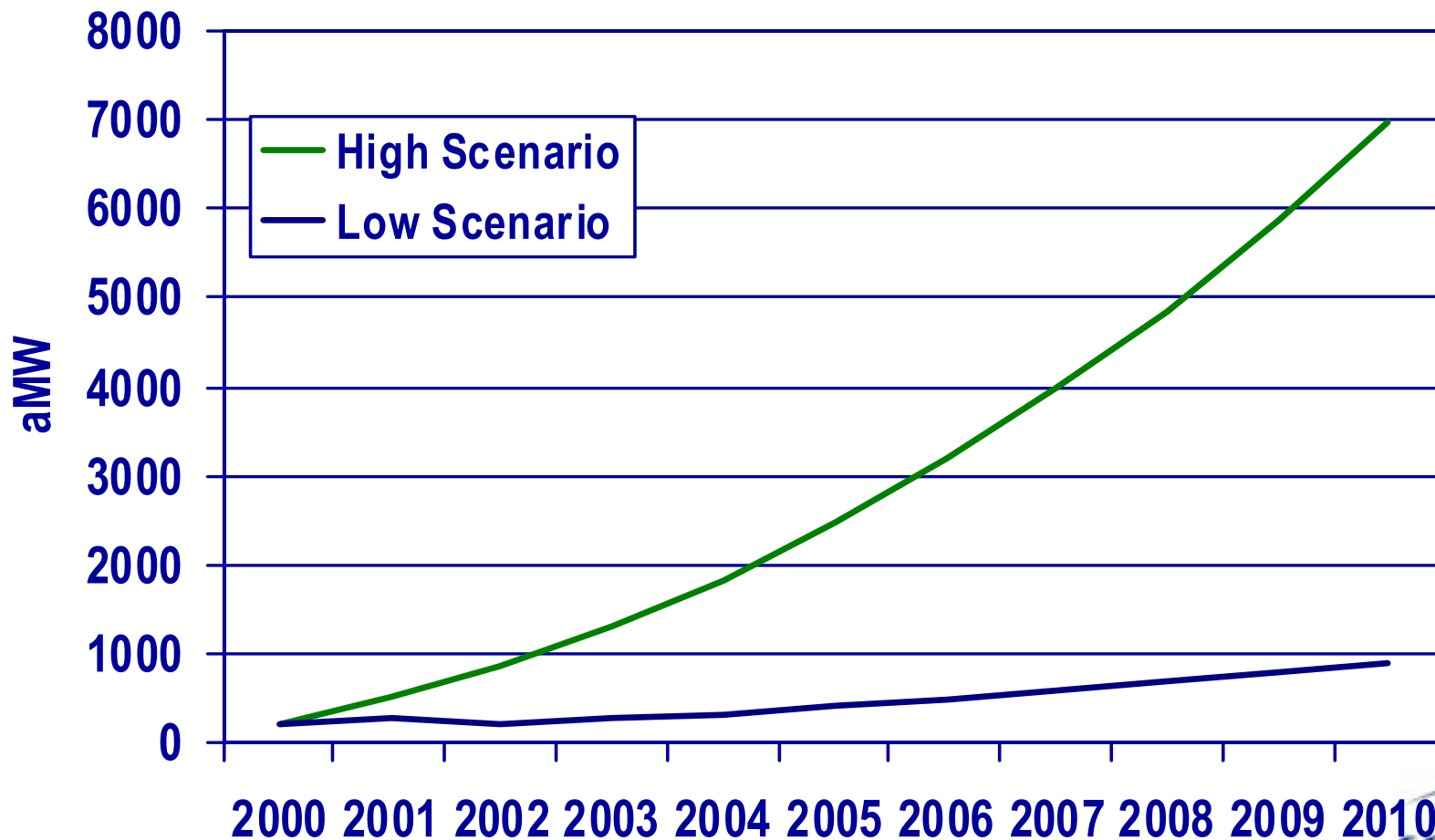
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Forecasting the Growth of Green Power Markets

- ❑ Evaluated early experience with actual green power markets as well as market and field research findings
- ❑ Analyzed experience in other previously regulated markets (telecom, natural gas)
- ❑ Analyzed customer response in seven other “green” markets (e.g., organic foods, CFLs, etc.)
- ❑ Built model and forecast impacts of green power demand on renewable energy supply over 10-year period under “high” and “low” case scenarios

Divergent Scenarios Reveal Uncertainty in the Long-Term Fate of the Green Market



Environmental Energy Technologies



Many of the Uncertainties Relate Directly to Public Policy

- ☐ Access to green power
- ☐ Pace of restructuring - California effect
- ☐ Regulatory rules - default price
- ☐ Consumer education, disclosure, and certification
- ☐ Renewable energy premiums
- ☐ Product innovation and marketing
- ☐ Renewable energy policies (PTC, SBC, RPS)

Survey in 1999 Shows that Competitive Marketers Know that Policy Matters

Most Important “Market Barriers” Identified by Marketers

- ❑ Low cost of utility default service
- ❑ Direct access processing and service fees
- ❑ Protracted direct access phase-ins
- ❑ Lack of customer education on retail choice
- ❑ Stranded cost recovery
- ❑ Lack of customer education on renewable energy
- ❑ Market power of electric utilities and their affiliates

Households Understand that Policies and Markets are Not Mutually Exclusive

Question: *If every household and business in the United States had the chance to voluntarily purchase renewable energy through one of these [green power] programs, how do you think that would affect the need for the government to continue its support of renewable energy?*

- | | |
|-------------------------------------------------------------------------------------|-----|
| <input type="checkbox"/> Government support would no longer be necessary | 12% |
| <input type="checkbox"/> The need for government support would decrease somewhat | 38% |
| <input type="checkbox"/> It would have no effect on the need for government support | 25% |
| <input type="checkbox"/> The need for government support would increase somewhat | 26% |

n = 192

Policies Matter!

- Policies impact the cost of renewable energy
 - Tax credits for renewable generators
 - SBC-based generator incentives
 - RPS-driven economies of scale
 - Treatment of transmission costs, operational impacts
 - Technology R&D
 - Attribute tracking systems and import-export regulations
- Policies impact level of customer understanding
 - Source disclosure
 - Educational campaigns
 - Promotional campaigns

Policies Matter!

- ❑ Policies impact the pace of customer switching in restructured markets
 - ❑ Default service pricing
 - ❑ Customer aggregation policies
 - ❑ SBC-funded green power incentives
- ❑ Policies impact the product offerings and success of utility green pricing programs
 - ❑ Mandated green pricing options
 - ❑ Regulatory authority approves products and pricing
 - ❑ Regulatory authority defines cost recovery for utility promotional costs and creates profit motive
- ❑ Government purchases enhance sales and education